

CITY OF RILEY, KANSAS

FINANCIAL STATEMENT

For the Year Ended December 31, 2012

VONFELDT, BAUER & VONFELDT, CHTD.

Certified Public Accountants

Manhattan, Kansas 66502

CITY OF RILEY, KANSAS
Financial Statement
For the Year Ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Riley, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Riley, Kansas, as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Riley, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Rozel, Kansas as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Riley, Kansas as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The graphical analysis (Schedule 3 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the financial statement nor required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants

May 16, 2013

CITY OF RILEY, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
Governmental Type Funds:		
General Fund	\$ 241,009.96	\$ 0.00
Special Purpose Funds:		
Special Highway Fund	41,097.47	0.00
Library Fund	1,047.19	0.00
Library Capital Improvement Fund	1,400.00	0.00
Bond and Interest Funds:		
Bond & Interest Fund	31,620.58	0.00
Capital Project Funds:		
Bergsten Development	0.00	0.00
Fox Run Development	4,813.26	0.00
Kansas Public Water Supply Loan Fund	46.94	0.00
Kansas Small Towns Environment Program Fund	5,052.43	0.00
Business Funds:		
Water Utility Fund	192,460.71	1,350.00
Water System Maintenance & Replacement	<u>25,200.00</u>	<u>0.00</u>
Total Reporting Entity	<u>\$ 543,748.54</u>	<u>\$ 1,350.00</u>
Composition of Cash:		

The notes to the financial statements are an integral part of this statement.

<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 462,260.85	\$ 511,114.71	\$ 192,156.10	\$ 2,542.39	\$ 194,698.49
32,334.21	44,421.82	29,009.86	0.00	29,009.86
13,772.19	11,650.46	3,168.92	39.03	3,207.95
625.00	0.00	2,025.00	0.00	2,025.00
160,378.34	114,788.83	77,210.09	0.00	77,210.09
0.00	0.00	0.00	0.00	0.00
0.00	0.00	4,813.26	0.00	4,813.26
0.00	0.00	46.94	0.00	46.94
81,399.00	82,275.58	4,175.85	0.00	4,175.85
338,947.56	323,764.72	208,993.55	0.00	208,993.55
<u>6,675.00</u>	<u>0.00</u>	<u>31,875.00</u>	<u>0.00</u>	<u>31,875.00</u>
<u>\$ 1,096,392.15</u>	<u>\$ 1,088,016.12</u>	<u>\$ 553,474.57</u>	<u>\$ 2,581.42</u>	<u>\$ 556,055.99</u>
		Checking Accounts		\$ 6,694.55
		NOW Account		<u>549,361.44</u>
		Total Reporting Entity		<u>\$ 556,055.99</u>

CITY OF RILEY, KANSAS
NOTES TO FINANCIAL STATEMENT
December 31, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

City of Riley, Kansas is a municipal corporation governed by an elected six-member council. This regulatory financial statement presents the City of Riley, Kansas (the municipality) and does not include any of its related municipal entities.

B. REGULATORY BASIS FUND TYPES

General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund - used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital project fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has passed a charter ordinance that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of an interest bearing checking account. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. AD VALOREM TAX REVENUE

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the City by January 20. The second half is due May 10 and distributed to the City by June 5. The City Treasurer draws available funds from the County Treasurer at designated times throughout the year.

F. REIMBURSED EXPENSES

The City records reimbursable expenditures (or expense) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

G. USE OF ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits: Cities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, reimbursements, gifts and donations and receipts authorized by law to be spent as if they were reimbursed expenses.

Note 2 - BUDGETARY INFORMATION (cont'd.)

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds and trust funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

1. Remittance of funds to the State Fiscal Agent for bond payments were not made at least twenty days prior to the maturity date in violation of K.S.A. 10-130.

Management is aware of no other statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

K.S.A. 9-1401 established the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC Coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with the allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2012.

At December 31, 2012 the City's carrying amount of deposits was \$556,055.99 and the bank balance was \$605,597.63. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$256,694.55 was covered by federal depository insurance, and \$348,903.08 was collateralized with securities held by the pledging financial institution's agents in the City's name.

Note 5 - LONG TERM DEBT

Changes in long-term liabilities for the municipality for the year ended December 31, 2012, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>
General Obligation Bonds:				
Bond Series 1998A	4.15-5.10%	7/01/1998	\$ 90,000.00	9/1/2019
Bond Series 2006A	4.55-5.00%	1/01/2006	162,000.00	9/1/2026
Bond Series 2008A	4.00-5.90%	9/01/2008	250,000.00	9/1/2028
Bond Series 2010A	3.50%	9/01/2010	613,000.00	9/1/2031
Bond Series 2012BI	.65-2.60%	12/16/2012	815,000.00	2/1/2029
KDHE Loans:				
Kansas Water Pollution Control Revolving Fund	2.77%	5/19/2004	698,296.11	3/1/2025
Kansas Water Supply Loan	4.04%	6/04/2009	832,124.27	8/1/2030
Capital Leases Payable:				
Backhoe Lease	4.15%	2/22/2007	57,000.00	2/22/2012
Fire truck Lease	5.00%	7/11/2007	50,423.40	7/15/2012
Fire Station Lease	5.50%	8/15/2007	85,000.00	7/15/2017
Loader Lease	3.75%	3/30/2012	88,552.00	3/31/2017
Total Contractual Indebtedness				

Balance Beginning of Year	Additions	Reductions / Payments	Balance End of Year	Balance Interest Paid
\$ 46,000.00	\$ 0.00	\$ 5,000.00	\$ 41,000.00	\$ 2,272.50
137,000.00	0.00	7,000.00	130,000.00	6,252.00
214,000.00	0.00	12,000.00	202,000.00	10,144.50
613,000.00	0.00	18,000.00	595,000.00	42,910.00
0.00	815,000.00	0.00	815,000.00	0.00
509,590.86	0.00	31,603.65	477,987.21	13,898.31
796,253.35	0.00	796,253.35	0.00	44,461.57
6,335.29	0.00	6,335.29	0.00	158.63
11,111.85	0.00	11,111.85	0.00	418.46
54,161.85	0.00	8,243.85	45,918.00	2,816.11
0.00	88,552.00	8,157.74	80,394.26	1,637.60
<u>\$ 2,387,453.20</u>	<u>\$ 903,552.00</u>	<u>\$ 903,705.73</u>	<u>\$ 2,387,299.47</u>	<u>\$ 124,969.68</u>

Note 5 - LONG TERM DEBT (Cont'd.)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>
PRINCIPAL:			
General Obligation Bonds:			
Bond Series 1998A	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Bond Series 2006A	7,000.00	7,000.00	8,000.00
Bond Series 2008A	12,000.00	12,000.00	12,000.00
Bond Series 2010A	20,000.00	25,000.00	25,000.00
Bond Series 2012BI	50,000.00	45,000.00	45,000.00
KDHE Loans:			
Kansas Water Pollution Control Revolving Fund	32,485.13	33,391.20	34,322.55
Capital Leases Payable:			
Fire Station Lease	8,710.22	9,199.25	9,715.75
Loader Lease	<u>16,730.43</u>	<u>17,363.71</u>	<u>18,020.95</u>
TOTAL PRINCIPAL	<u>151,925.78</u>	<u>153,954.16</u>	<u>157,059.25</u>
INTEREST:			
General Obligation Bonds:			
Bond Series 1998A	2,035.00	1,795.00	1,552.50
Bond Series 2006A	5,930.00	5,608.00	5,286.00
Bond Series 2008A	9,436.50	8,728.50	8,020.50
Bond Series 2010A	20,825.00	20,125.00	19,250.00
Bond Series 2012BI	8,866.18	13,862.52	13,570.02
KDHE Loans:			
Kansas Water Pollution Control Revolving Fund	13,016.83	12,110.76	11,179.43
Capital Leases Payable:			
Fire Station Lease	2,349.74	1,860.71	1,344.21
Loader Lease	<u>2,860.25</u>	<u>2,226.97</u>	<u>1,569.73</u>
TOTAL INTEREST	<u>65,319.50</u>	<u>66,317.46</u>	<u>61,772.39</u>
TOTAL PRINCIPAL & INTEREST	<u><u>\$ 217,245.28</u></u>	<u><u>\$ 220,271.62</u></u>	<u><u>\$ 218,831.64</u></u>

<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018 - 12/31/2022</u>	<u>12/31/2023 - 12/31/2027</u>	<u>12/31/2028 - 12/31/2032</u>	<u>Total</u>
\$ 6,000.00	\$ 6,000.00	\$ 14,000.00	\$ 0.00	\$ 0.00	\$ 41,000.00
8,000.00	8,000.00	47,000.00	45,000.00	0.00	130,000.00
12,000.00	12,000.00	64,000.00	65,000.00	13,000.00	202,000.00
25,000.00	25,000.00	145,000.00	170,000.00	160,000.00	595,000.00
45,000.00	45,000.00	240,000.00	265,000.00	80,000.00	815,000.00
35,279.86	36,263.88	197,067.57	109,177.02	0.00	477,987.21
10,258.78	8,034.00	0.00	0.00	0.00	45,918.00
18,700.10	9,579.07	0.00	0.00	0.00	80,394.26
<u>160,238.74</u>	<u>149,876.95</u>	<u>707,067.57</u>	<u>654,177.02</u>	<u>253,000.00</u>	<u>2,387,299.47</u>
1,307.50	1,010.50	1,067.50	0.00	0.00	8,768.00
4,918.00	4,550.00	16,789.50	4,186.00	0.00	47,267.50
7,540.50	7,060.50	24,692.75	12,577.50	630.50	78,687.25
18,375.00	17,500.00	73,325.00	46,200.00	14,000.00	229,600.00
13,227.52	12,710.02	53,902.58	29,070.02	1,950.00	147,158.86
9,299.53	9,238.08	30,091.08	4,577.88	0.00	89,513.59
801.18	222.76	0.00	0.00	0.00	6,578.60
890.58	179.79	0.00	0.00	0.00	7,727.32
<u>56,359.81</u>	<u>52,471.65</u>	<u>199,868.41</u>	<u>96,611.40</u>	<u>16,580.50</u>	<u>615,301.12</u>
<u>\$ 216,598.55</u>	<u>\$ 202,348.60</u>	<u>\$ 906,935.98</u>	<u>\$ 750,788.42</u>	<u>\$ 269,580.50</u>	<u>\$ 3,002,600.59</u>

Note 6 - INTERFUND TRANSACTIONS

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Special Highway	K.S.A. 12-825d	\$ 2,706.00
Water Utility	Bond & Interest	K.S.A. 12-825d	75,718.02
Water Utility	Water System Maint & Repair	K.S.A. 12-825d	6,675.00
Water Utility	Special Highway	K.S.A. 12-825d	2,274.00
Library	Library Capital Improvement	K.S.A. 12-1,118	625.00

Note 7 - OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post Employment Benefit. As provided by K.S.A. 12-5040, the municipality allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the municipality is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the municipality makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences. Full-time employees will accrue one day of vacation per month of employment up to a maximum of ten days, which doesn't begin until the employee has completed three months of employment. Upon separation of employment employees will be paid for any unused vacation leave, therefore, the potential liability for vacation leave as of December 31, 2012 and 2011 is \$3,533.47 and \$3,822.56, respectively, which is a net change of (\$289.09).

Full-time employees will accrue one day of sick leave per month up to a maximum of sixty days, after completing three months of employment. Employees with over ten years of continuous service who leave in good standing shall receive half of their accumulated sick leave not to exceed 30 days. Due to the uncertainty in predicting who will qualify no estimate is being made.

Note 8 - DEFINED BENEFIT PENSION PLAN

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS). KPERS is a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets limitations on annual increases in the employer contribution rates.

Note 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City does not participate in a public entity risk pool.

Note 10 - SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through May 16, 2013, and does not believe any events have occurred which effect the financial statements as presented.

Note 11 - CAPITAL PROJECT FUNDS

At year-end, capital project authorizations, by fund, compared with expenditures from inception are as follows:

Fox Run Development

<u>Description</u>	<u>Expenditures to Date</u>	<u>Project Authorization</u>
Street, Water Main and Sanitary Sewer Improvements	\$ 557,200.72	\$ 704,254.09

Bergsten Development

<u>Description</u>	<u>Expenditures to Date</u>	<u>Project Authorization</u>
Street, Water Main and Sanitary Sewer Improvements	\$ 237,349.81	\$ 334,790.00

Kansas Public Water Supply Loan Fund

<u>Description</u>	<u>Expenditures to Date</u>	<u>Project Authorization</u>
Public Water System Replacement Project	\$ 1,232,435.77	\$ 1,375,500.00

Kansas Small Towns Environment Program Fund

<u>Description</u>	<u>Expenditures to Date</u>	<u>Project Authorization</u>
Construction of a Combined Use City Building	\$ 156,187.15	\$ 299,932.00

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF RILEY, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>
Governmental Type Funds:		
General Fund	\$ 584,250.00	\$ 0.00
Special Purpose Funds:		
Special Highway Fund	60,500.00	0.00
Library Fund	12,959.00	0.00
Library Capital Improvement Fund	0.00	0.00
Bond and Interest Funds:		
Bond & Interest Fund	167,837.00	0.00
Business Funds:		
Water Utility Fund	391,033.00	0.00
Water System Maintenance & Replacement	29,400.00	0.00

<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
\$ 584,250.00	\$ 511,114.71	\$ (73,135.29)
60,500.00	44,421.82	(16,078.18)
12,959.00	11,650.46	(1,308.54)
0.00	0.00	0.00
167,837.00	114,788.83	(53,048.17)
391,033.00	323,764.72	(67,268.28)
29,400.00	0.00	(29,400.00)

CITY OF RILEY, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 164,469.77	\$ 185,367.55	\$ 190,736.00	\$ (5,368.45)
Delinquent Tax	4,674.40	4,022.26	0.00	4,022.26
Motor Vehicle Tax	20,993.39	24,226.24	25,522.00	(1,295.76)
Recreational Vehicle Tax	372.78	299.54	577.00	(277.46)
16/20 M Vehicle Tax	286.32	240.63	260.00	(19.37)
Intangibles Tax	(2,539.14)	0.00	0.00	0.00
Sales Tax	141,612.70	150,048.55	144,000.00	6,048.55
Local Compensating Tax	16,243.31	22,506.89	15,750.00	6,756.89
Franchise Tax	55,760.20	37,876.20	36,000.00	1,876.20
Licenses and Permits	545.00	1,134.00	1,900.00	(766.00)
Proceeds from Sale of Asset	0.00	0.00	1,000.00	(1,000.00)
Miscellaneous	15,776.57	17,365.30	9,500.00	7,865.30
Interest on Idle Funds	1,241.07	655.12	1,550.00	(894.88)
Insurance Proceeds	4,414.53	1,817.43	0.00	1,817.43
Swimming Pool	14,299.40	16,701.14	15,500.00	1,201.14
Total Cash Receipts	<u>438,150.30</u>	<u>462,260.85</u>	<u>\$ 442,295.00</u>	<u>\$ 19,965.85</u>
Expenditures				
Administration	328,027.30	373,613.09	434,600.00	(60,986.91)
Fire Department	41,805.94	52,452.01	82,000.00	(29,547.99)
Streets	5,340.00	44,368.17	20,150.00	24,218.17
Street Lighting	0.00	0.00	1,000.00	(1,000.00)
Park	3,164.71	5,821.22	6,500.00	(678.78)
Swimming Pool	43,374.07	32,154.22	40,000.00	24,218.17
Transfer to Special Highway	0.00	2,706.00	0.00	2,706.00
Total Expenditures	<u>421,712.02</u>	<u>511,114.71</u>	<u>\$ 584,250.00</u>	<u>\$ (41,071.34)</u>
Receipts Over (Under) Expenditures	16,438.28	(48,853.86)		
Unencumbered Cash, Beginning	<u>224,571.68</u>	<u>241,009.96</u>		
Unencumbered Cash, Ending	<u>\$ 241,009.96</u>	<u>\$ 192,156.10</u>		

CITY OF RILEY, KANSAS
SPECIAL HIGHWAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
State Payments	\$ 25,038.16	\$ 24,706.66	\$ 26,640.00	\$ (1,933.34)
City & County Payments	2,114.38	0.00	2,120.00	(2,120.00)
Rock & Sand	0.00	523.35	1,500.00	(976.65)
City/County Highway	0.00	2,082.89	2,000.00	82.89
Miscellaneous	455.93	41.31	0.00	41.31
Transfer from General	0.00	2,706.00	0.00	2,706.00
Transfer from Water	0.00	2,274.00	0.00	2,274.00
Total Cash Receipts	<u>27,608.47</u>	<u>32,334.21</u>	<u>\$ 32,260.00</u>	<u>\$ 74.21</u>
Expenditures				
Commodities	1,950.64	3,470.37	16,500.00	(13,029.63)
Rock & Sand	1,598.34	718.09	0.00	718.09
Street	13,040.71	40,233.36	0.00	40,233.36
Capital Outlay	0.00	0.00	44,000.00	(44,000.00)
Total Expenditures	<u>16,589.69</u>	<u>44,421.82</u>	<u>\$ 60,500.00</u>	<u>\$ (16,078.18)</u>
Receipts Over (Under) Expenditures	11,018.78	(12,087.61)		
Unencumbered Cash, Beginning	<u>30,078.69</u>	<u>41,097.47</u>		
Unencumbered Cash, Ending	<u>\$ 41,097.47</u>	<u>\$ 29,009.86</u>		

CITY OF RILEY, KANSAS
LIBRARY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Tax	\$ 9,523.65	\$ 11,043.48	\$ 11,364.00	\$ (320.52)
Delinquent Tax	302.27	246.44	0.00	246.44
Motor Vehicle Tax	1,406.41	1,440.91	1,478.00	(37.09)
Recreational Vehicle Tax	24.99	17.54	33.00	(15.46)
16/20 Motor Vehicle Tax	20.49	15.93	15.00	0.93
State Aid	482.00	400.00	0.00	400.00
Miscellaneous	341.57	607.89	0.00	607.89
Total Cash Receipts	<u>12,101.38</u>	<u>13,772.19</u>	<u>\$ 12,890.00</u>	<u>\$ 882.19</u>
Expenditures				
Commodities	2,952.72	2,546.27	4,890.00	(2,343.73)
Personal Services	8,002.87	8,479.19	8,000.00	479.19
Transfer to Library Capital Improvement	<u>1,400.00</u>	<u>625.00</u>	<u>69.00</u>	<u>556.00</u>
Total Expenditures	<u>12,355.59</u>	<u>11,650.46</u>	<u>\$ 12,959.00</u>	<u>\$ (1,308.54)</u>
Receipts Over (Under) Expenditures	(254.21)	2,121.73		
Unencumbered Cash, Beginning	<u>1,301.40</u>	<u>1,047.19</u>		
Unencumbered Cash, Ending	<u>\$ 1,047.19</u>	<u>\$ 3,168.92</u>		

CITY OF RILEY, KANSAS
LIBRARY CAPITAL IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
Transfer from Library Fund	\$ 1,400.00	\$ 625.00	\$ 69.00	\$ 556.00
Total Cash Receipts	<u>1,400.00</u>	<u>625.00</u>	<u>\$ 69.00</u>	<u>\$ 556.00</u>
Expenditures				
None	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Receipts Over (Under) Expenditures	1,400.00	625.00		
Unencumbered Cash, Beginning	<u>0.00</u>	<u>1,400.00</u>		
Unencumbered Cash, Ending	<u>\$ 1,400.00</u>	<u>\$ 2,025.00</u>		

CITY OF RILEY, KANSAS
 BOND AND INTEREST FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
Special Assessments	\$ 20,362.81	\$ 58,699.70	\$ 36,500.00	\$ 22,199.70
Bond Proceeds	0.00	25,960.62	0.00	25,960.62
Transfer from Water Utility	111,503.35	75,718.02	105,934.00	(30,215.98)
Transfer from Bergsten Development	22,871.18	0.00	0.00	0.00
Total Cash Receipts	<u>154,737.34</u>	<u>160,378.34</u>	<u>\$ 142,434.00</u>	<u>\$ 17,944.34</u>
Expenditures				
Principal	11,000.00	37,000.00	12,000.00	25,000.00
Interest	9,059.50	10,345.67	8,525.00	1,820.67
KDHE Loan-Principal	66,617.00	31,603.65	31,604.00	(0.35)
KDHE Loan-Interest	44,886.35	13,898.31	13,898.00	0.31
Miscellaneous	1.25	0.00	0.00	0.00
Kansas Water Supply Loan	0.00	0.00	60,432.00	(60,432.00)
Cash Basis Reserve	0.00	0.00	41,378.00	(41,378.00)
Fees	0.00	21,941.20	0.00	21,941.20
Total Expenditures	<u>131,564.10</u>	<u>114,788.83</u>	<u>\$ 167,837.00</u>	<u>\$ (53,048.17)</u>
Receipts Over (Under) Expenditures	23,173.24	45,589.51		
Unencumbered Cash, Beginning	<u>8,447.34</u>	<u>31,620.58</u>		
Unencumbered Cash, Ending	<u>\$ 31,620.58</u>	<u>\$ 77,210.09</u>		

CITY OF RILEY, KANSAS
 BERGSTEN DEVELOPMENT FUND
 Schedule of Receipts and Expenditures - Actual
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Actual
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	0.00	0.00
Expenditures		
Transfer to Bond and Interest Fund	22,871.18	0.00
Total Expenditures	22,871.18	0.00
Receipts Over (Under) Expenditures	(22,871.18)	0.00
Unencumbered Cash, Beginning	22,871.18	0.00
Unencumbered Cash, Ending	\$ 0.00	\$ 0.00

CITY OF RILEY, KANSAS
 FOX RUN DEVELOPMENT
 Schedule of Receipts and Expenditures - Actual
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Actual
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	<u>0.00</u>	<u>0.00</u>
Expenditures		
None	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>
Receipts Over (Under) Expenditures	0.00	0.00
Unencumbered Cash, Beginning	<u>4,812.26</u>	<u>4,813.26</u>
Unencumbered Cash, Ending	<u><u>\$ 4,812.26</u></u>	<u><u>\$ 4,813.26</u></u>

CITY OF RILEY, KANSAS
KANSAS PUBLIC WATER SUPPLY LOAN FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Actual
Cash Receipts		
Kansas Water Supply Loan	\$ 208,029.72	\$ 0.00
Total Cash Receipts	<u>208,029.72</u>	<u>0.00</u>
Expenditures		
Capital Outlay	<u>125,438.60</u>	<u>0.00</u>
Total Expenditures	<u>125,438.60</u>	<u>0.00</u>
Receipts Over (Under) Expenditures	82,591.12	0.00
Unencumbered Cash, Beginning	<u>(82,544.18)</u>	<u>46.94</u>
Unencumbered Cash, Ending	<u>\$ 46.94</u>	<u>\$ 46.94</u>

CITY OF RILEY, KANSAS
KANSAS SMALL TOWNS ENVIRONMENT PROGRAM
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Actual
Cash Receipts		
Federal Aid	\$ 78,964.00	\$ 81,399.00
Total Cash Receipts	<u>78,964.00</u>	<u>81,399.00</u>
Expenditures		
Contractual	43,240.00	8,800.00
Commodities	<u>30,671.57</u>	<u>73,475.58</u>
Total Expenditures	<u>73,911.57</u>	<u>82,275.58</u>
Receipts Over (Under) Expenditures	5,052.43	(876.58)
Unencumbered Cash, Beginning	<u>0.00</u>	<u>5,052.43</u>
Unencumbered Cash, Ending	<u><u>\$ 5,052.43</u></u>	<u><u>\$ 4,175.85</u></u>

CITY OF RILEY, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

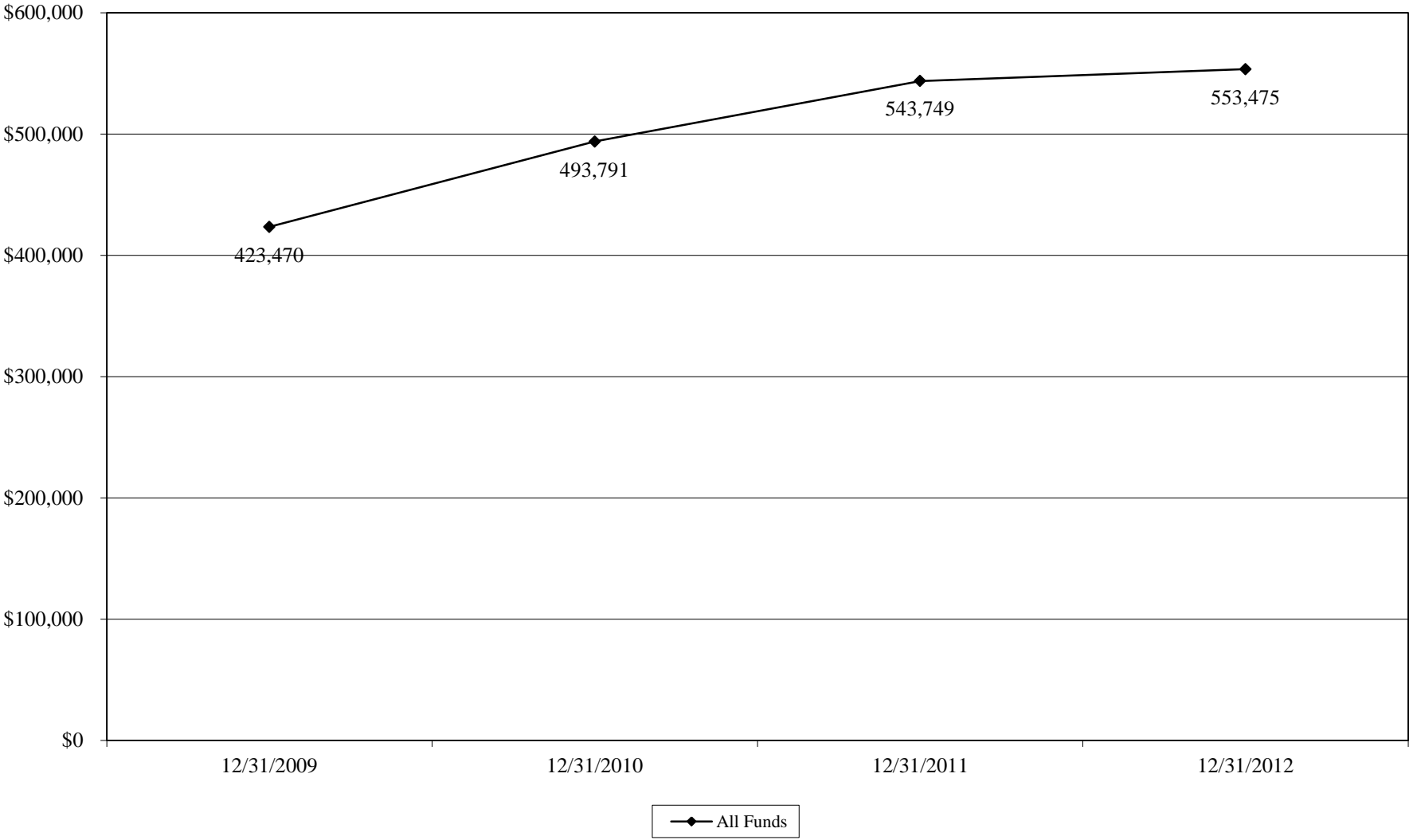
	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
Charges for Services	\$ 321,022.06	\$ 334,717.14	\$ 310,000.00	\$ 24,717.14
Miscellaneous	961.64	738.66	1,750.00	(1,011.34)
State Aid	0.00	3,491.76	0.00	3,491.76
Water Deposits	<u>2,850.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Cash Receipts	<u>324,833.70</u>	<u>338,947.56</u>	<u>\$ 311,750.00</u>	<u>\$ 27,197.56</u>
Expenditures				
Personal Services	62,465.45	64,776.24	81,500.00	(16,723.76)
Contractual Services	4,888.56	4,888.56	5,400.00	(511.44)
Commodities	50,279.26	45,599.27	36,450.00	9,149.27
Capital Outlay	8,893.21	625.00	82,745.00	(82,120.00)
Trash Service	56,461.50	52,862.50	64,000.00	(11,137.50)
Bond Payment	0.00	60,432.12	6,504.00	53,928.12
Water Protection Fee	2,164.40	1,663.00	1,800.00	(137.00)
Transfer to Bond & Interest	111,503.35	75,718.02	105,934.00	(30,215.98)
Transfer to Water System Maint & Repl	4,200.00	6,675.00	4,200.00	2,475.00
Transfer to Special Highway	0.00	2,274.00	0.00	2,274.00
Miscellaneous	0.00	8,251.01	2,500.00	5,751.01
Water Deposits	<u>12,225.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>313,080.73</u>	<u>323,764.72</u>	<u>\$ 391,033.00</u>	<u>\$ (67,268.28)</u>
Receipts Over (Under) Expenditures	11,752.97	15,182.84		
Unencumbered Cash, Beginning	180,707.74	192,460.71		
Prior Year Cancelled Encumbrances	<u>0.00</u>	<u>1,350.00</u>		
Unencumbered Cash, Ending	<u>\$ 192,460.71</u>	<u>\$ 208,993.55</u>		

CITY OF RILEY, KANSAS
WATER SYSTEM MAINTENANCE & REPLACEMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

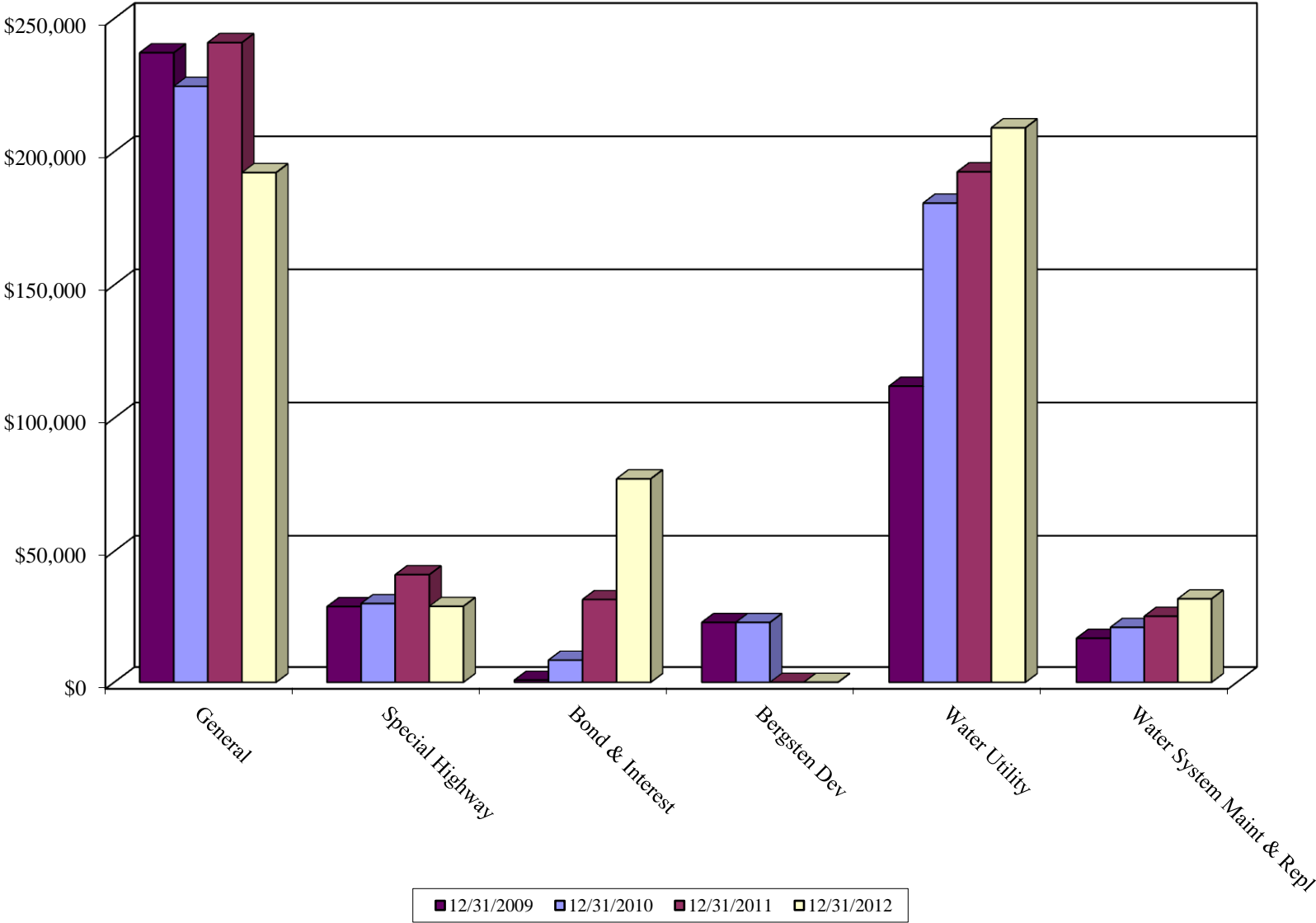
	Prior Year Actual	Current Year		
		Actual	Budget	Variance Over (Under)
Cash Receipts				
Transfer from Water Utility	\$ 4,200.00	\$ 6,675.00	\$ 4,200.00	\$ 2,475.00
Total Cash Receipts	<u>4,200.00</u>	<u>6,675.00</u>	<u>\$ 4,200.00</u>	<u>\$ 2,475.00</u>
Expenditures				
Contractual	<u>0.00</u>	<u>0.00</u>	<u>29,400.00</u>	<u>(29,400.00)</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>	<u>\$ 29,400.00</u>	<u>\$ (29,400.00)</u>
Receipts Over (Under) Expenditures	4,200.00	6,675.00		
Unencumbered Cash, Beginning	<u>21,000.00</u>	<u>25,200.00</u>		
Unencumbered Cash, Ending	<u>\$ 25,200.00</u>	<u>\$ 31,875.00</u>		

ADDITIONAL INFORMATION

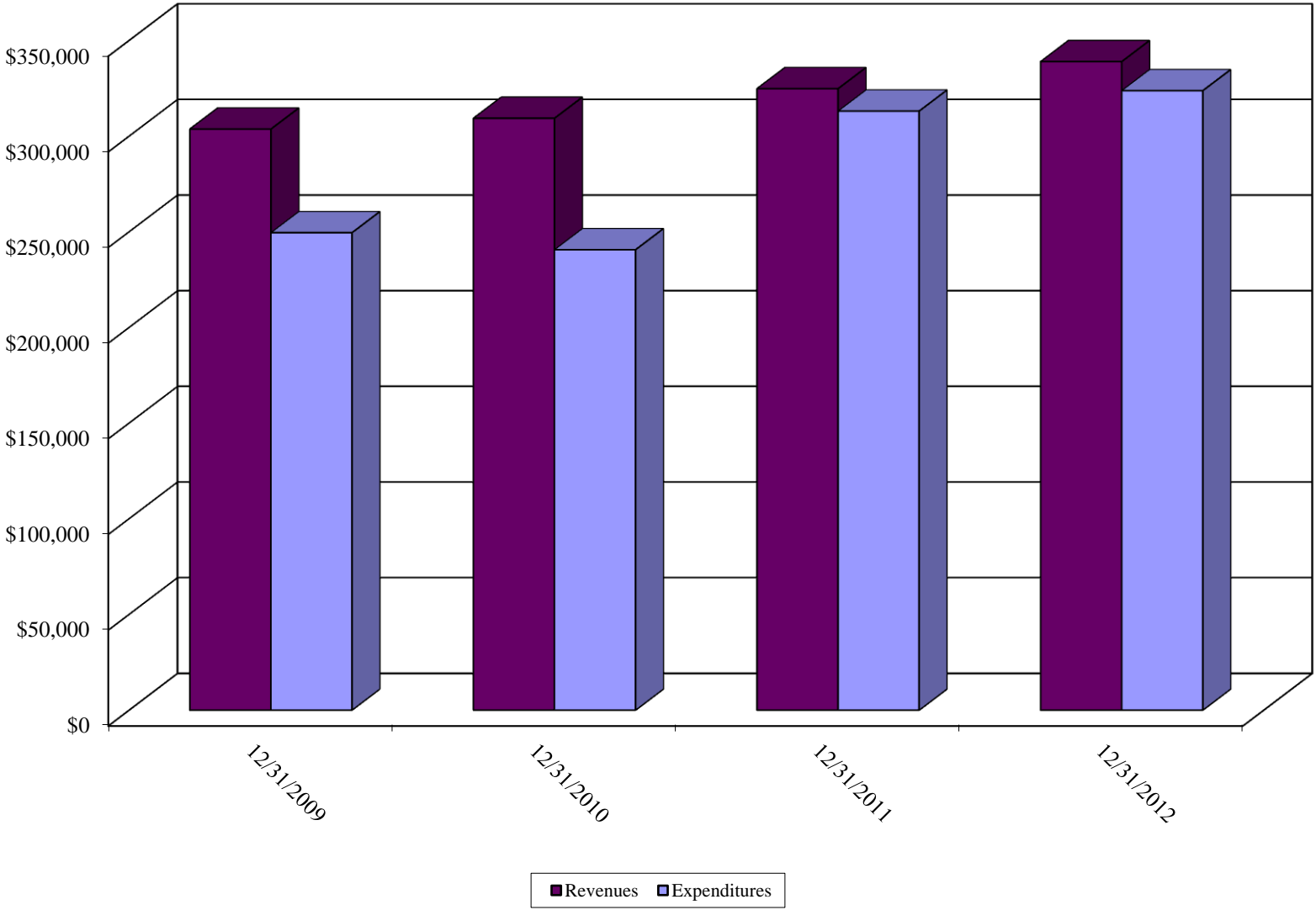
City of Riley, Kansas
Unencumbered Cash Balance - All Funds



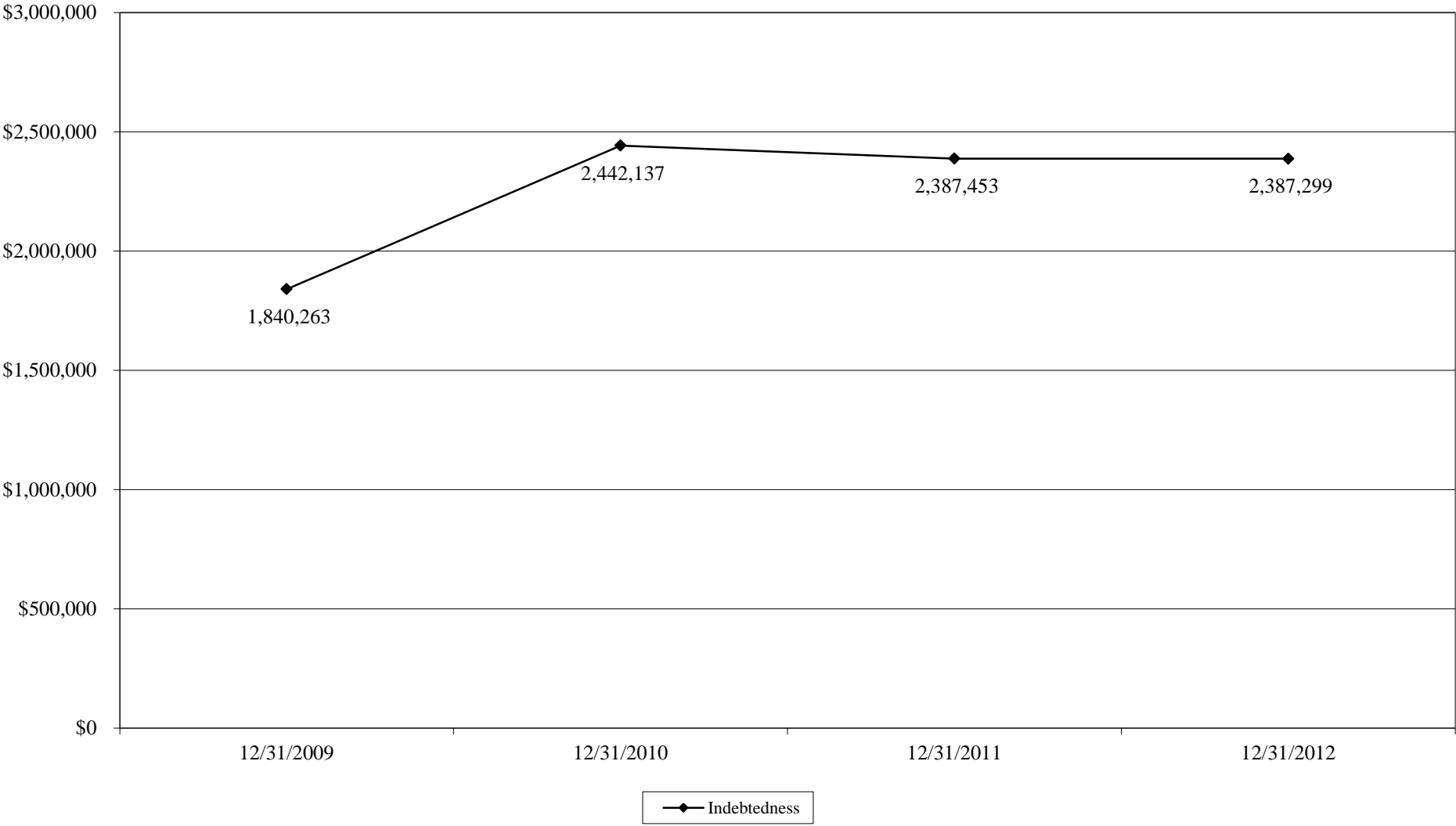
City of Riley, Kansas
Unencumbered Cash Balances - Selected Funds



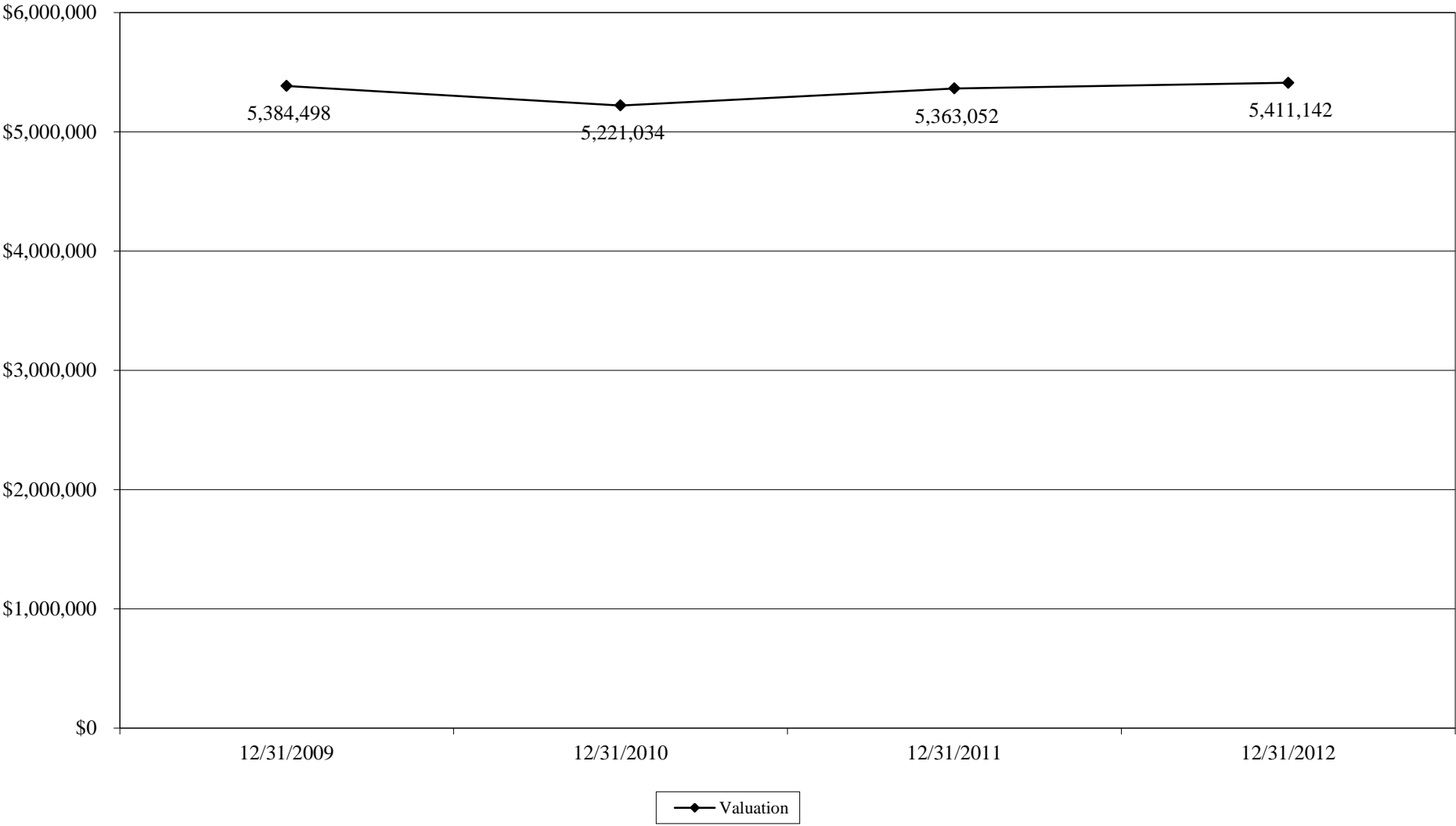
**City of Riley, Kansas
Water Fund
Revenues vs. Expenditures**



**City of Riley, Kansas
Contractual Indebtedness**



City of Riley, Kansas Valuation



**City of Riley, Kansas
Mill Rate**

